The Mises Review

VOLUME 8 NUMBER 3 FALL 2002

The Dark Side of Mill

John Stuart Mill and the Religion of Humanity

Linda C. Raeder
University of Missouri Press, 2002
xi + 402 pgs.

Most people regard John Stuart Mill as one of the great classical liberals of the nineteenth century. Though Mill made unnecessary concessions to socialism, did he not in *On Liberty* defend without compromise personal liberty, following his great German predecessor Wilhelm von Humboldt? Linda Raeder offers a powerful challenge to this conventional view. Like Maurice Cowling and Joseph Hamburger, by whom she has been much influenced, she sees Mill as mainly a propagandist anxious to replace Christianity with a Religion of Humanity, guided by intellectuals such as himself.[1]

[1]See my review of Joseph Hamburger, *John Stuart Mill on Liberty and Control*, *Mises Review* 6, no. 1 (Spring 2000): 21–24.

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Raeder finds opposition to Christianity at the heart of Mill's ethics. As everyone knows, Mill was a utilitarian; but our author raises a penetrating question. What exactly made Mill's utilitarianism distinct from earlier versions of the theory? Views that analyzed morality according to what makes human beings happy, she notes, are hardly unique to Bentham and Mill. Quite the contrary, theologians such as William Paley held exactly this position. "Until well into the 1830s, the principal representative of the utilitarian outlook in England was not Bentham but William Paley, the conservative Anglican divine and Bentham's acknowledged rival. . . . Both thinkers postulated the 'greatest happiness of the greatest number' as the ultimate end of moral action. Both identified the good with the pleasant or beneficial, the 'beneficial' meaning that which is productive of happiness, and 'happiness' meaning the excess of pleasure over pain" (p. 25).

Paley's theological morality solved a problem that baffled the secular utilitarians. Why should a person be concerned with the general happiness, rather than exclusively with his own? Paley had a ready response. God has arranged matters so that an individual will always find it in his own interest to promote the greatest happiness of the greatest number.

But is not Paley's contention obviously false? Suppose you had a chance to steal $1 million, without danger of detection. Surely here your moral duty not to steal conflicts with what benefits you, given some plausible assumptions.

Paley dissents: he maintains that to argue in this way is to take a short-sighted position. God's system of rewards and punishments ensures that the thief acts against his own interests, as he will discover to his cost after he dies. Here precisely is the point where Mill broke with the theological moralists. As he saw matters, hopes and fears concerning the afterlife should not enter into our calculation of consequences.[2]

Raeder makes an excellent case that Mill's ethics is resolutely secular; but what has this to do with classical liberalism? She may believe Mill's opposition to Christianity mistaken, but why should this lead her to question his devotion to liberty?

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[2]The greatest of all nineteenth-century utilitarians after Mill, Henry Sidgwick, agreed with Paley that only a system of divine rewards and punishments could reconcile morality with self-interest.

The MISES REVIEW

PUBLISHED BY THE LUDWIG VON MISES INSTITUTE

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The answer to this query brings us to the center of Raeder's case. Mill did not merely hold as a private opinion that the dominant religious doctrines of his time were false. Quite the contrary, he wanted his own views to prevail among the public.

But once more our question recurs: why does this wish conflict with classical liberalism? Open discussions of essential issues such as religion seem at the essence of a libertarian outlook.

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Raeder does not claim otherwise, but again she stands ready with a counter.

Mill did not merely want open debate about religion. "The lesson [Auguste] Comte and then Mill drew from the contemporary authority of science was the necessity of establishing a *method* by which philosophers can reach unanimity regarding moral and political truths. Once such a method has been devised and accepted, the results obtained by means of it must gain unanimous acceptance among the experts. Their unanimity, in turn, will ensure that the masses . . . will place as unfailing a trust in the new spiritual power as they do in the scientific authorities. The spiritual power to which all defer as the ultimate authority on matters moral and political is thus triumphant" (p. 79).

In her effort to prove that Mill favored intellectual dictatorship by an elite, Raeder deploys an ingenious stratagem. She attempts to tie Mill as closely as possible to Comte, universally recognized as an enemy of freedom. If Mill followed Comte, does this not suffice to render dubious his classical liberal credentials?

Here our author confronts an obstacle. No one doubts Mill's early enthusiasm for Comte, but did he not in later life repudiate Comte's authoritarian politics? Indeed, he went so far as to describe Comte's minutely detailed plans for a hierarchical society as "liberticide."

To Raeder, Mill's criticism of Comte did not alter the fundamental agreement between the two thinkers.

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In *Auguste Comte and Positivism*, Mill claimed that Comte first stated "the true moral and social ideal of Labour." The ideal in question hardly sounds libertarian: "Until labourers and employers perform the work of industry in the spirit in which soldiers perform that of an army, industry will never be moralised and military life will remain . . . the chief school of moral cooperation" (p. 334, emphasis removed, quoting Mill). Comte thought that workers should regard themselves as "public functionaries"; Mill found in this idea "great beauty and grandeur" (p. 334).

Has Raeder adequately met the obstacle to her thesis? One might object that her quotations do not suffice. Certainly Mill, here and elsewhere shows himself well-disposed to socialism; but this we knew from the start. The question at issue is whether, despite his collectivist sympathies in economics, Mill counts as a classical liberal in political matters. Of course, if Mill thought that civil liberties could be consistently joined with socialism, he erred grievously; but perhaps he held just this mistaken belief.

Raeder's response, once more, is to stress Mill's sympathy with the entire scope of Comte's philosophy. The fervent passages defending freedom in *On Liberty* had a pragmatic purpose. "We have suggested that *On Liberty* should be understood as one of the instruments by which Mill sought to realize his long-standing religious purpose: to undermine Christianity and institute the Religion of Humanity. . . . Mill did not wish to declaw coercive public opinion in general but only such opinions and sanctions that embodied traditional religious belief" (p. 261).

To evaluate Raeder's daring suggestion that the true meaning of *On Liberty* lies hidden beneath its surface, I should like to pose two questions: Is Raeder right that Mill remained throughout his life a committed supporter of Comte? And should Mill's desire to promote a Religion of Humanity lead us to see his defense of liberty as insincere?

Raeder supports her Comtist reading of Mill with a detailed analysis of his main essays on religion; but Mill's "Theism," published only after his death, does not fully support her interpretation. She of course acknowledges that Mill in that work defended a version of the design argument for the existence of God, but she fails to note the anti-Comtist implications of this. According to Comte, to explain nature by personal powers reflects a primitive stage of human thought. The final, positivist stage of thought renounces altogether the search for ultimate causes.

Raeder's response, once more, is to stress Mill's sympathy with the entire scope of Comte's philosophy.

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Mill's use of the design argument in "Theism" utterly opposes this rejection of metaphysics.

Our resourceful author has not yet been defeated. She claims that Mill's theism is half-hearted: "[W]hat Mill gives he immediately takes away. For he immediately points out that the evidences of design in nature, while they may point to a God . . . may, on the other hand, be the product of naturalistic evolutionary forces" (p. 191).

Raeder here ignores a crucial point. Mill considers Darwin's theory of evolution no more than an interesting hypothesis; he does not think it has been established. Once more, Mill declines an opportunity to adopt an antireligious standpoint.

Although Raeder has not persuaded me of her principal thesis, her book contains a great deal of value.

But suppose Raeder is right: what follows if Mill remained a Comtist to the end? Does this render the arguments of *On Liberty* merely tactical maneuvers? I do not think so. Our author notes that Mill hoped for an antireligious consensus; but it does not follow from this that he wished to suppress dissent. He explicitly states in *On Liberty* that to debate accepted truths is a great good; even to debate the truths of mathematics is valuable. Why should we decline to take Mill at his word?

Although Raeder has not persuaded me of her principal thesis, her book contains a great deal of value. Her discussion of Mill's attitude toward nature, in particular, displays sensitive insight. She finds in Mill hostility to the world: "For Mill, nature as given is not good. Indeed, nature is not good at all but a realm of 'perfect and absolute recklessness' . . . Mill, like the Grand Inquisitor, will 'correct' God's work" (pp. 99, 101).

Raeder's study is impressively erudite, but her discussion of the alleged fallacy in Mill's proof of utilitarianism (pp. 302 ff.) makes no reference to the important discussions by Fred Berger and others in the recent philosophical literature. The remarks on page 149 wrongly conflate theological utilitarianism with moral views altogether nonconsequentialist. ✦

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GETTING WELFARE ECONOMICS RIGHT

The Ethics and Economics of Minimalist Government

TIMOTHY P. ROTH
EDWARD ELGAR, 2002
VIII + 134 PGS.

Professor Roth differs from most of his fellow economists. He finds the philosophical foundations of the standard model of welfare economics grossly deficient, and his book mounts a devastating criticism of the conventional view. James Buchanan claims that the book "exposes the contradictions [in welfare economics] that are present when the basic philosophical foundations are ignored" (quoted from the dust jacket), and he seems to me exactly right.

Defenders of the standard view might react with astonishment. Their view, they will say, makes no controversial philosophical assumptions at all. Quite the contrary, it rests on two fundamental theorems, the proofs of which admit of no doubt. According to the first of these, a fully competitive economy will in equilibrium result in a Pareto optimal state of affairs: in such a condition, no one can be made better off without making someone else worse off. The Pareto optimal condition thus achieved will usually be but one of many optimal states of affairs: it occupies only a single point on the "efficiency frontier." The second fundamental theorem then tells us that the state, by suitably chosen taxes and subsidies, can achieve an "ethical equilibrium" without the surrender of Pareto optimality. Needless to say, the "ethical equilibrium" usually incorporates strongly egalitarian assumptions. In brief, a fully competitive economy can be both efficient and morally satisfactory.

Roth finds the philosophical foundations of the standard model of welfare economics grossly deficient.

Conventional welfare economists will no doubt admit that the choice of an ethical equilibrium demands resort to philosophy. But where are the philosophical assumptions that underlie the fundamental theorems themselves? Does not the welfare economist who advances these theorems act as a strict scientist? He simply tells people how to achieve their goals.

Roth maintains that the whole framework of the theorems rests on a

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mistaken philosophical doctrine. The welfare economist takes for granted the pursuit of efficiency. In doing so, he tacitly adopts a basic principle of utilitarianism: he aims to achieve the best consequences overall.

What is mistaken about this? Is it not self-evident that we want to achieve the best consequences? Roth by no means wishes to substitute pursuit of the mediocre, not to say the worst, for the utilitarian search for the best. But the consequentialist view, he thinks, ignores the basic principle of ethics: the dignity and moral worth of all human beings.

People are not mere tools whom we can manipulate at will to maximize efficiency. As moral beings, they have rights that cannot be violated. "Given that persons are morally equivalent, each is entitled to equal or impartial consideration. Each person has a duty to respect the intrinsic worth of others (and of himself)" (p. 5). On this view, which Roth derives from Kant, you cannot seek efficiency as a be-all and end-all. In particular, you cannot trample on people's rights to achieve it.

A defender of the standard position might at this point acknowledge that there is more philosophy in welfare economics than he at first thought. But he will dissent from Roth's main point: why need welfare economists reject rights and human dignity? On the contrary, a competitive economy rests upon a structure of property rights. Welfare economists do not oppose rights: they advocate them.

Roth finds this response unsatisfactory. Conventional welfare economics does not recognize the supreme importance of rights: "the problem is that, in the utilitarian framework, utility considerations trump rights" (p. 15). The structure of rights that the welfare economist favors counts as no more than a tool to achieve efficiency. If, in special cases, rights block an efficient outcome, they lapse.

Some defenders of the standard view agree, at least in part, that they need to give rights more attention. Accordingly, some welfare economists have developed Hobbesian social contract theories, in which rights result from bargaining among purely self-interested contractors. Roth finds these approaches inadequate. "The difficulty is that, given that goals and the means of achieving them are neither right nor wrong [in Hobbesian contract theories], and given that agents are narrowly self-interested, nothing in the theory implies a duty to obey the rules of justice" (p. 22).

Roth's argument strikes me as promising but incomplete. He needs to show what specific rights follow from the recognition of human dignity.

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Roth's argument rests on the premise that all value or good must be a value held by someone.

It does not suffice to say that each person has an equal right to participate in an original contract in the style of John Rawls. So long as Roth confines himself to invoking such a constitutional scheme, he leaves himself open to a counterthrust that may be fatal.

The welfare economist can argue that the rights that will be chosen in an adequate original position will be tailor-made to avoid conflicts with efficiency. John Harsanyi, a Nobel Laureate whose work Roth does not discuss, defended exactly this sort of view: he claimed that people in Rawls's original position would choose to maximize average utility. To leave the scope of government up to an ideal constitutional convention, as Roth does, gets nowhere: how does Roth know that the convention will not choose Harsanyi's plan, or one like it? Here I venture to suggest that attention to the works of Murray Rothbard would have greatly benefited our author.[1]

Roth's assault on welfare economics has just begun. Following his mentor Buchanan, he raises another basic challenge. The sum and substance of welfare economics is the quest to maximize "social welfare"; but what exactly does this term designate? If one says that a state of affairs is "better" than an alternative, for whom is it better? Suppose that a Pareto improvement enables us to make one person better off, without ill effects on anyone else. Of course, the person "improved" has gained, but in what sense is society better off?

To assume that it is, Roth contends, is to treat society as if it were a person with values of its own. "The problem is that the utilitarian conception of the good 'embodies a definition of "good" in application to the whole community of persons rather than to individual members.' It is, in short, a supraindividual 'good' to which is attributed an independent existence and which, moreover, must be promoted" (p. 30, quoting Geoffrey Brennan and Buchanan). Our author informs us that Amartya Sen, one of the key figures of mainstream welfare economics, finds this objection "quite persuasive" in certain circumstances.

Here Roth has entered a vast philosophical debate. His argument rests on the premise that all value or good must

[1]Roth would, I think, respond that the generality constraints that he thinks would govern laws under a proper constitutional order suffice to eliminate most governmental invasions of rights. But what about rights violations that come about through proper procedures? I do not think that Roth's "Kantian-Rawlsian" procedures rule these out.

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be a value held by someone. When this premise is combined with the further premise that society is not an entity capable of holding values, Roth's conclusion at once follows: the notion of a social good lacks sense. I think Roth ought to have recognized that his premise about values is controversial; to Plato, e.g., to speak of the good as such makes the highest sense, although it is not a value held by a person. Into these puzzles I resolutely refuse to enter here.

Roth has the singular virtue of being willing to kick his opponent when he is down.

Defenders of the standard view will at this point be tempted to launch an attack. "Roth has raised some interesting philosophical issues," they may say; "but what is that to us? Our models work: let us leave Roth to the metaphysicians."

Even those with the Philistine views just portrayed cannot so easily turn Roth away. Our author meets the conventional position on its own terms, and raises a large number of technical criticisms against its use in practice. One of these I found especially ingenious: it uses one part of welfare economics to show the limitations of the rest.

The standard model assumes that all markets are perfectly competitive. In practice, this condition can only be approximated. What then follows for the attempt to generate Pareto improvements? According to the theorem of second-best, all bets are then off. "[I]f one accepts social welfare theory on its own terms, the general theorem of the second-best show[s] the futility of 'piecemeal welfare economics' ". . . policy prescriptions are, inevitably, 'piecemeal' " (p. 44, quoting Lipsey and Lancaster, the developers of the theorem). In brief, the theorem shows that, in practice, welfare economics is useless. Incidentally, those like Roth who support a rights-based view can consistently support piecemeal changes. A violation of rights demands immediate correction: it is unnecessary to meet the difficult requirement that the correction be Pareto superior.

Roth has the singular virtue of being willing to kick his opponent when he is down. Even without considering the theorem of second-best, it is nonsensical to endeavor to use the standard model. How are we supposed to move along the "efficiency frontier" to reach "ethical equilibrium"? A benevolent government, fully apprised of all necessary information, has the task of making the necessary adjustments. Is it

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not, as Shakespeare says, a "very midsummer madness" to suppose the state capable of such well-intentioned behavior? Everyone acts to promote his own interest—except, of course, for the benevolent despots who rule over us.

Our author is not yet done. Not only is the standard model useless in practice: it is unsatisfactory as it stands. The model assumes that there is a determinate "efficiency frontier," but the conditions under which this could be true are extremely unlikely to obtain. "Fundamental features of observable reality militate against the specification of the efficiency frontier . . . the logic of the production possibility frontier requires, *inter alia*, that all producers, both within and across industries, employ the same productive service flows . . . this analytically convenient assumption is irreconcilable with a technical environment characterized by cognitive limitations, information asymmetries and positive decision costs. . . . If the production-theoretic foundations of the efficiency frontier may be called into question, the same is true of its utility-theoretic underpinnings" (p. 65).

This argument moves too fast. The economists in question may endorse attempts to evade the law. But in so doing, they need not abandon moral rights.

Readers who want the technical details of these points will find them in abundance in Roth's well-written book. (Like Keynes, though, he has an inordinate fondness for the Latin phrase "*pari passu*".) At only one place do I think that he has fallen into outright error. In support of his contention that utilitarians cannot give rights their proper standing, he notes that some economists argue that corruption can be efficient. If so, do they not in some cases endorse rights violations?

This argument moves too fast. The economists in question may endorse attempts to evade the law. But in so doing, they need not abandon moral rights. To assume otherwise confuses the moral and legal orders. Only if the economists are willing to endorse corruption when moral rights are involved does Roth's argument succeed. On the whole, though, Roth's arguments are convincing—or at least provocative. This book is one of the best discussions of welfare economics since Murray Rothbard's classic paper of 1956, "Toward a Reconstruction of Utility and Welfare Economics." ✦

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Hazlitt For Our Time

Economics for Real People: An Introduction to the Austrian School

Gene Callahan
Ludwig von Mises Institute, 2002
349 pgs.

Gene Callahan superbly executes a very difficult task. Wittgenstein famously said, "whatever can be said, can be said clearly"; but does this apply to economics? Callahan, like his great predecessor Henry Hazlitt, shows that it does. If the theme of Hazlitt's *Economics in One Lesson* is the indirect effects of intervention in the economy, Callahan's dominant thread is the role of monetary calculation in making possible cooperative activity on a vast scale. Using this organizing principle, he explains a remarkable amount of Austrian economics in a simple and straightforward way.

Along the way, he makes illuminating remarks that will be of great benefit to more advanced readers. Every reader of *The Mises Review*, I am sure, knows that an economic exchange takes place only if each party values what he gains more than what he gives up. Exchange involves not an equality of value, as the classical school thought, but a double inequality. But what happens if one denies this?

Callahan draws attention to an important but neglected argument advanced by Carl Menger. Suppose one thinks that the double inequality is not required: why is it not enough to say, for example, that you will trade apples for oranges if you are indifferent between the two goods? If I am not mistaken, the standard neoclassical model of Paul Samuelson and others incorporates exactly this view.

As Menger pointed out, "to regard an exchange as occurring at a point of equal valuation leads to absurdities. If two people exchange when they consider the value they are getting to be equal to the value of what they are giving up, there is no reason they shouldn't simply reverse the trade a moment later. . . . In fact, if the exchange took place at a point of equal valuation, there is no reason you and the other party shouldn't swap [the item exchanged] . . . any number of times" (p. 71). A supporter of the neoclassical view could, I suppose, "bite the bullet." He might say that only transactions costs explain why such repeated exchanges do not take place; but this seems implausible. If transactions costs suffice to bar repeated

The dominant thread is the role of monetary calculation in making possible cooperative activity on a vast scale.

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exchanges under conditions of indifference, why do they not rule out even the first such exchange?

Callahan has rightly seized upon a vital theme in Mises that often receives inadequate attention. David Ricardo long ago demolished an objection to free international trade. A country can profit from trade if another country can produce more efficiently a good that it wants. In return, it can offer in exchange a good that it makes more efficiently. "But what of the case where one country . . . is worse at producing everything than some other country is? . . . How can it possibly offer the more advanced nation anything in trade?" (p. 64).

Ricardo arrived at a remarkable result. He showed that, in the case just indicated, the advanced nation would still find it advantageous to trade. The poorer nation should produce the commodity in which its inefficiency, compared to the advanced country, is least—this is its comparative advantage.

More than any other economist, Mises extended Ricardo's principle of comparative advantage into a general law of association. Ricardo's demonstration applies to individuals as well as nations. "The law of association demonstrates that . . . it is to everyone's material advantage to cooperate through the division of labor and voluntary exchange. It is the basis of the extended social order" (p. 66).

The more the social order is extended, the better; but to extend it involves an essential prerequisite. Production at anything above the level of subsistence for a small group demands the use of capital goods—goods not directly consumed but used to produce other goods. But once capital goods are present on a large scale, a problem arises: how can the users of such goods decide where to allocate them?

Only through calculation using a common unit can this question be answered. Given a common unit, entrepreneurs can calculate where capital goods will net them the greatest profit possible, and allocate them accordingly. In so doing, they best satisfy the wishes of consumers. The common unit in question is, of course, money.

Callahan ably shows how money arises as a commodity on the free market.

Callahan ably shows how money arises as a commodity on the free market. Once the use of money becomes widespread in an economy, capital goods have room to expand indefinitely. We not only get goods used to produce consumer goods, but "higher-order" capital goods to produce these capital goods. The process obviously can be extended further; the structure

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of production may require many stages until consumer goods eventually emerge.

Monetary calculation is then essential to a developed economy; and from this a further important result follows. Only in a capitalist economy can monetary calculation take place. A centrally planned economy has no means to calculate economically and thus cannot function. "Mises showed the impossibility of all socialist schemes, because they leave the economic planners with no means by which to perform economic calculation. . . . A central planning bureau has no mechanism that can fill the role that prices play in the market" (p. 164).

A developed economy, then, depends on a complex structure of capital; and Callahan explains a point about this structure that has, since Böhm-Bawerk, become a leitmotif of the Austrian School. Suppose that you are a capitalist faced with a choice between two equally productive processes, one of which takes longer than the other. You will naturally favor the shorter process, since that will get you the goods you want faster.

If so, why are long processes of production ever adopted? Given the universal fact of time preference, this can only happen because the longer processes are more productive. "The economy generally advances through increasing the 'roundaboutness' of production because the shorter methods have been tried already" (p. 135).

Here Callahan once more displays his ability to bring to bear a little-known fact on his discussion. He notes that the philosopher Ernst Cassirer recognized the importance of long structures of production: "All cultural work, be it technical or purely intellectual, proceeds by the shift from the direct relation between man and his environment to an indirect relation" (p. 136, quoting Cassirer). Incidentally, Cassirer's influence on Mises merits investigation. Mises cites him favorably in *Human Action* for his discussion of polylogism, and his neo-Kantian theory of knowledge has some affinity with Mises's views (see *Human Action*, Scholar's Edition, p. 38).

Callahan devotes considerable attention to various governmental schemes that aim to "improve" the market but lead only to disaster.

Unfortunately, governments have proved unwilling to learn the lesson that only the free market works, and Callahan devotes considerable attention to various governmental schemes that aim to "improve" the market but lead only to disaster. I found especially valuable his treatment of the business cycle, which in the Austrian view stems from an overexpansion of bank credit.

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Callahan analyzes an objection brought against the theory by the Cambridge economist Piero Sraffa. He "objected to ABCT [Austrian Business Cycle Theory] as stated by Hayek: Why, he asked, couldn't relative wealth changes from the [interest] rate cut drive marginal time preferences down to where the central bank had set the rate?" (p. 216). In other words, the Austrian theory claims that increased bank credit drives the market rate of interest below the natural rate, determined by the extent to which people prefer present goods to future goods. Sraffa suggests that the expansion may lower people's rates of time preference; if so, there would be no gap between the natural and market rates.

Callahan's response is simple and effective: Suppose relative changes in wealth do drive down the rate of time preference. "So could the wealth changes from price-fixing in the egg market just happen to set supply and demand equal. But it would be pure chance and happen very rarely" (p. 216).

This answer parallels Mises's reaction to the inverse objection, raised by Ludwig Lachmann. Sraffa supposes that people's time preferences adjust to the monetary expansion: Lachmann, by contrast, asks, what happens if businessmen fail to use the new money to increase production? Mises's reply was that in this case no cycle would occur. In like fashion, no cycle would be present under Sraffa's hypothesis. Mises's aim was to explain the cycles that did happen; in these instances, no countervailing process blocks the process he sets forward in his theory.[1]

Callahan, following his great predecessors Mises and Rothbard, shows that free-enterprise capitalism meets the demands of consumers better than any competing system. Does this settle matters in favor of capitalism? One might think the answer obvious, but this is to underestimate the extremes to which opponents of the market will go. John Gray, a British political theorist, is a case in point.

Callahan shows that free-enterprise capitalism meets the demands of consumers better than any competing system.

Gray asks, why should satisfaction of consumer preferences matter? The pressure of the market drives people to continual changes in behavior. These changes ignore the values of custom and tradition. Does not the government have the obligation to slow down the mad pace of change?

[1]Callahan's own excellent discussion of the expectations objection does not mention Mises's reply to Lachmann.

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As ever, Callahan stands ready with an effective retort: "And just what will Gray do about those people who might move around willy-nilly if left to their own devices?[2] Why, he must stop them, of course! . . . Gray cannot eliminate the fact that life involves trade-offs and that better opportunities might be available only far from home. He cannot eliminate tough decisions, but he would be happy to make them for you" (p. 296).

Much to my dismay, I found very little in this book to which I could take exception. It seems to me not quite correct to say, "If we are completely satisfied with the way things are at this moment, we have no motivation to act—any action could only make matters worse!" (p. 22). Not dissatisfaction with the present, but discontent with what would be the case if one did not act, is necessary for action. (His uncharacteristic failure to make this distinction lands Mises into theological difficulties at one place in *Human Action*.)

Again, in objecting to the use of experiments in economics, Callahan claims: "Humans, as experimental subjects, do attempt to learn about the experiment, and they modify their behavior based on what they learn" (p. 35). No doubt exactly this happens in many cases, but I cannot see any necessity in this. What rules out a hypothesis that operates regardless of whether people, knowing of it, attempt to thwart it?

I shall close with a more controversial issue, one where to my regret I find myself at odds with most of my fellow Austrians. Callahan adopts the standard Austrian view of this issue: "The uncertainty of the future is implied by the very existence of action. In a world where the future is known with exacting certainty, action is not possible. If I know what is coming and there is no possibility of altering it, there is no point in attempting to do so. If I can act to alter the future, then the future was not certain after all!" (p. 45).

Not only do I know what I shall have for breakfast tomorrow: I also know that Callahan has written an excellent and vitally needed book.

But what if just what I know is coming is that I will act in a certain way? Why cannot I be sure that I will do something, and then do it? Callahan's analysis does not distinguish the case where I know something is coming, regardless of what I do, from a situation in which I know what my own action will be. The fact that I am sure I shall have toast tomorrow for breakfast does not stop me from eating it tomorrow.

Not only do I know what I shall have for breakfast tomorrow: I also know that Callahan has written an excellent and vitally needed book. ✦

[2] I shall not resist pointing out that "willy-nilly" is misused here.

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Democracy's False Prophet

How Democratic is the American Constitution?

Robert A. Dahl
Yale University Press, 2001
x + 198 pgs.

The fame of this book's author baffles me. Professor Robert Dahl, now retired, was long ensconced in the Political Science Department of Yale University. He has somehow acquired a reputation as one of the world's leading theorists of democracy. I am at a loss to know why. True enough, he published in the far-distant past a well-regarded analysis of James Madison's theory of government. But he has done little since except endlessly repeat his belief in unlimited democracy. Even if you agree with his views, what is supposed to be so great about him?

I had hoped to find an answer in the present book. Professor Fred Greenstein of Princeton informs us, "This book is vintage Dahl at the highest possible level. It is lucid . . . [and] acutely analytic." Professor G. John Ikenberry calls Dahl "this country's leading student of democratic theory and practice." (Both are quoted from the dust jacket.) Here if anywhere, I thought, I might find the key to the mystery: the depth of analysis present in the book would at last demonstrate Dahl's transcendent stature.

To my regret, my quest has ended unfulfilled: after reading the book, I still wonder what all the fuss is about. But as always, I am completely fair; the book contains a few good things.

Unlike most of his leftist colleagues, Dahl recognizes the excesses of the U.S. Supreme Court. He thinks that the Court should have the power to declare unconstitutional federal laws that violate "fundamental democratic rights." But it must not go beyond this. "For then it becomes an unelected legislative body. In the guise of interpreting the Constitution—or, even more questionable, divining the obscure and often unknowable intentions of the Framers—the high court enacts important laws and policies that are the proper province of elected officials" (pp. 153–54). This is well said,

After reading the book, I still wonder what all the fuss is about.

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although it is more a recognition of the obvious than a display of analytical pyrotechnics; and one hopes that Dahl's leftist colleagues will pay attention to the old warhorse.

Perhaps the best item in the book comes about as the result of our author's inadvertence. Departures from strict majority rule distress him, and in particular the equal representation of the states in the Senate reduces him to impotent rage. He maintains that the equal representation clause arose from a sordid compromise; and, to show this, he quotes with barely concealed astonishment a passage from the debates of the Constitutional Convention. Gunning Bedford, a delegate from Delaware, stated the following: "The large states dare not dissolve the Confederation. If they do the small states will find some foreign ally of more honor and good faith, who will take them by the hand and do them justice" (p. 14).

The vital core of the book is a criticism of all aspects of the Constitution that contravene strict majority rule on the national level.

I venture to suggest that Dahl does not realize what he has done by quoting this passage. It demonstrates that at least some delegates thought that if the convention failed to arrive at an acceptable constitution, this would dissolve the Confederation. Does this not strongly support the Jeffersonian view that the states were, at the time of the convention, independent entities rather than parts of a single nation? Perhaps even more significant is that Rufus King, in reply to Bedford, did not doubt the right of a state to depart from the Confederation; he merely questioned whether a state would ally with a foreign power.

So much for the good parts. The vital core of the book is a criticism of all aspects of the Constitution that contravene strict majority rule on the national level. States' rights and the Electoral College particularly upset Dahl; but I cannot think that his arguments for majority rule have much force.

He asks, why should states have rights? Dahl thinks that everyone should be guaranteed certain fundamental rights. "Beyond these fundamental and protected rights and interests, do people in the smaller states possess additional rights or interests that are entitled to protection from national majorities? If so, what are they? . . . Why should geographical location endow a citizen or group with special rights or interests . . . that should be given additional constitutional protection?" (p. 52).

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Dahl's way of posing the issue begs the question in favor of a centralized nation. Given a unitary state, Dahl has a point (although even this can be answered). Why indeed should the votes of some people count for more than those of others? But this is to assume that the citizens concerned should be considered simply as individuals who make up a nation. We can see the problem if we ask, why should a single nation be allowed to institute a policy on its own, without the consent of the majority of the world community? Why do the people of the United States, say, possess special rights beyond the fundamental rights that all citizens of the world ought to have?

He has not shown by any argument from political theory that large central states are desirable.

Put this way, the answer to our questions is obvious. No justification has been given for the assumption that the people of the United States count merely as units within a larger entity. In like fashion, suppose the states are not merely geographical divisions within a unified nation. Suppose rather that they are independent entities joined for certain purposes in a union. Then, the guarantee of equal representation in the Senate, along with other provisions of the constitution that acknowledge states' rights, makes considerably more sense. Dahl ought to read his own quotations, discussed above, from the convention.

Dahl would no doubt respond in this way. The independent position of the states at the time of the convention was merely an accident of history. Why should we accord it special consideration, when the question we face in political theory is, what sort of government ought to be established? "The need for a federal rather than a unitary republic was . . . not justified by a principle adduced from general historical experience, much less from political theory. It was just a self-evident fact. If Americans were to be united into a single country, it was obvious to all that a federal or confederal system was inescapable" (p. 12).

Even if Dahl were right, he would be vulnerable to his own objection. He has not shown by any argument from political theory that large central states are desirable. The arguments in the book defend majority rule, but they do not address the issue of the proper scale of the political community.

Further, Dahl ignores a vast literature on the benefits of federalism. As everyone but our former Yale Eminence knows, a federal system promotes liberty through competition between the constituent states. State governments who displease their residents may find themselves faced with mass exodus. Further, control at the local level enhances the influence of

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individual voters: in this way, does it not promote the democracy that our author professes to support? If you want democracy, you must at least make the political units small enough so that votes count. One wonders whether this world-renowned student of democracy has ever encountered the works of James Buchanan and Gordon Tullock. It would of course be asking too much that he learn from Jefferson and Calhoun.

Dahl does have one argument against states' rights. As will hardly be a surprise, he trots out slavery before the Civil War. "Unequal representation in the Senate has unquestionably failed to protect the fundamental interests of the least privileged minorities. On the contrary, unequal representation has sometimes served to protect the interests of the most privileged minorities. . . . Unequal representation in the Senate gave absolutely no protection to the interests of slaves" (pp. 52–53).

Dahl is perfectly correct. States' rights did not protect the interests of slaves. But this does not gainsay the arguments just given for the benefits of a federal system. Again, an analogy will make the point evident. If there were a world government, it is conceivable that it might overrule the anti-libertarian measures of one of its constituent nations. Does it follow that institution of a world government would enhance liberty? Not even Dahl claims that it would. As to the Civil War, surely Lincoln's dictatorial policies, and the massive growth of central power during the war and after, hardly count as steps on the road to freedom.

Let us for the moment ignore the merits of federalism. As suggested above, even on its own terms, Dahl's defense of majority rule fails. Although he supports majority rule for the United States, he recognizes that there is another form of democracy with merits of its own. In the variant system, governmental measures are negotiated by consensus among all interested groups.

Our author describes this arrangement with great enthusiasm: "[P]roportionality can strengthen consensus not just for policies but for democracy as well. The reason appears to be that proportionality results in fewer losers. To clarify this point, let me [Dahl] overstate it: In a majoritarian system the only winners in elections are the citizens who happen to be in the majority; all the other citizens, being in the defeated minority, are losers. By contrast, in proportional systems with consensus governments, everyone—well, almost everyone—can win

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. . . enough to leave them basically satisfied with their government" (pp. 107–08).

Dahl seems to me entirely right to see proportional systems as a form of democracy. But he fails to see an analogous argument to his own. Is not a federal system in general, and equal representation in the Senate in particular, precisely a form of consensus government? Laws cannot be passed unless they receive the consent of a majority of the states. Further, the division of powers between the federal government and the states serves to block radical changes that fail to win a consensus of the whole people, since these changes often require action by all the governments affected. Why is government by consensus good in the form of proportional representation in Europe but bad in the form of federalism in the United States?

Dahl's case against states' rights thus fails on two grounds. He ignores the virtues of a federal system, and he fails to see that this system qualifies by his own standards as democratic. Our author fares no better in his response to the principal objection to unlimited majority rule.

Will not this system leave individual rights at the mercy of temporary majorities? Tocqueville long ago warned against the tyranny of the majority: "Since the very essence of democratic government is the absolute sovereignty of the majority . . . a majority necessarily has the power to oppress a minority. . . . Given an equality of condition among citizens, we may expect that in democratic countries a wholly new species of oppression will arise" (p. 133, quoting Tocqueville).

Our author fares no better in his response to the principal objection to unlimited majority rule.

Our author finds Tocqueville "just dead wrong." Has not the development of democracy since he wrote led to an increase in civil liberties rather than a new authoritarianism? It is obvious that to Dahl, freedom does not include full property rights. Those who take a more robust view of these rights than Dahl are likely to find in the contemporary welfare state a confirmation of Tocqueville's prophecy: "Ultimately, then, the citizens of a democratic country will be reduced to nothing better than a flock of timid and industrious animals, of which the government is the shepherd" (p. 133, quoting Tocqueville). ✦

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Marx the Capitalist

Marx's Revenge: The Resurgence of Capitalism and the Death of Statist Socialism

Meghnad Desai
Verso, 2002
xi + 372 pgs.

Professor Desai has given us two books in one: a new interpretation of Marxism, and a history of twentieth-century capitalism. I propose to concentrate, with one exception, on the first of these, owing to its revolutionary thesis: Desai presents Marx as a supporter of capitalism.

How can this be? Has Desai never read the closing lines of the *Manifesto*: "Working men of all countries, unite"? Of course our author, a distinguished Marxist economist, has done so; and he needs no instruction from me on Marx's revolutionary activities. But this just deepens our paradox: how can he possibly say that Marx defended capitalism?

Just in this sense. Marx, like Adam Smith before him, believed in what Desai calls a "stadial" theory. History proceeds in stages: in Marx's account, these are primitive communism, slavery, feudalism, capitalism, and socialism. Each stage best develops the forces of production—roughly speaking, the technology—available at the time.

Now we can resolve our difficulty. Marx indeed hoped for the onset of a socialist order. But socialism cannot arrive except in its proper sequence in the progression of stages: capitalism must precede the New Jerusalem. At once, then, a new question arises: how can capitalism be brought to an end as soon as possible, so that we can reach the glorious consummation of history?

If this question must be addressed, though, does this not deepen our paradox? Marx wished to get through the capitalist stage by the most rapid means; he can hardly then be called a supporter of capitalism.

But we have so far left out a key part of Marxism that entirely changes the picture. Marx believed that no stage of history ever ends before the productive possibilities of which it is capable develop fully. Desai quotes a famous passage from the preface to the *Contribution to the Critique of Political Economy*: "No social order ever disappears before all the productive forces for which there is room in it have been developed; and new higher relations of production never appear before the material conditions of their existence have matured in the womb of the old society itself. Therefore, mankind only sets itself such tasks as it can solve" (p. 44, quoting Marx).

Given this doctrine, we can at last understand Desai's argument. In order to bring capitalism to an end, it must be developed as much as possible. Hence a socialist must be, for the indefinite future, a supporter of capitalism. Our author claims, "Practically all the commentary on Marx, particularly

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since 1917, has been an attempt to deny this" (p. 44).

Desai's argument as so far presented seems incomplete. Suppose Desai is correct in what he has so far claimed. A socialist will want capitalism developed to the maximum extent possible. But this is quite consistent with thinking that capitalism will soon come to an end. Perhaps the productive potential of capitalism has been fully realized, and the task remaining for socialists is simply to topple the system over. Indeed, did not Marx claim in *Capital* that ever more severe crises doom capitalism to destruction? The considerations advanced by Desai do not suffice to turn Marx into a precursor of Mises.

Our author has anticipated this response. He contends that in the second volume of *Capital*, Marx devised a model in which capitalism results in stable growth, possibly for hundreds of years. In essence, there need be no problem of general underconsumption. Capital goods can be shifted to the production of other capital goods, should demand for consumption goods decline. In this model, "[t]here are no cycles, no crises, no problems. Capitalism grows forever, without any cycles but in steady-state growth" (p. 73).

But does this not prove too much? If Marx believed that capitalism would last " 'til the sun grows cold, and stars are old," then he was not a socialist at all. And this is absurd. Once more, our author has an escape.

Desai does not contend that Marx fully committed himself to the indefinite expansion model. Elsewhere, Marx suggests that a long-term tendency for the rate of profit to fall may eventually bring capitalism to an end. Even here, though, this tendency takes effect only after a very long time. Capitalists have several resources to delay the fall.

One of these is to seek out foreign markets, where the rate of profit may at least temporarily be high. Readers will of course see here the germ of Lenin's theory of imperialism. But what is less well known is Marx's attitude toward this phenomenon. According to Desai, Marx not only supported capitalism: he was an imperialist as well.

The considerations advanced by Desai do not suffice to turn Marx into a precursor of Mises.

Desai sets forward the evidence for his surprising thesis: "Marx had welcomed the British East India Company's role in destroying the old precapitalist institutions in India; his only complaint was that they had not finished the job properly in 1857. . . . He and Engels had approved of France's takeover of Algeria. In Marx's view,

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capitalism was a progressive force which had to destroy older modes even if this destruction was effected by a colonial power" (pp. 154–55). Desai draws attention in this connection to a book I have long admired, Bill Warren's *Imperialism, the Pioneer of Development* (p. 330, n.12).

In further support for his unusual interpretation of Marx, Desai notes that the founder of scientific socialism said almost nothing about the sort of society that would eventually replace capitalism. For Marx, socialism stood for little more than a cipher representing a better world to come. But our author does Marx one better. He thinks that Hayek won the socialist calculation argument.

Our author's strategy is ingenious, but I cannot think it altogether succeeds.

Desai believes—wrongly, in my view—that Oskar Lange and Fred Taylor successfully solved the calculation problem as Mises originally posed it. (He also speaks favorably of linear programming as a way to compute prices.) But he maintains that the Lange-Taylor solution is in practice useless because of a problem posed by Hayek. Of what use are the equations of Walrasian equilibrium when the economy is never in this state of affairs? The real problems of the economy are of an entirely different order.

Desai, then, is a socialist of an unusual type: "Hayek was undermining the entire basis of equilibrium theorizing as it was—and still is—taught in economics, yet his ideas were ignored at the time. An entire generation came to believe that capitalism and socialism were symmetrical; markets and planning were the same thing. . . . The idea that an economy is a self-organizing process . . . was forgotten. The point was not that a socialist planner could not compute all those equations. The point was that even making the most extreme assumptions, it is impossible to centralize knowledge" (p. 198).

Our author's strategy is ingenious, but I cannot think it altogether succeeds. Faced with the brutal tyranny and utter economic failure of twentieth-century communism, how can any rational person remain a Marxist? Simple, Desai answers. One merely says that Marx was not a socialist and in fact anticipated the major criticisms of that doctrine advanced by critics such as Hayek. Thus, the idea that market participants act on the basis of local knowledge was one "that Marx shared with Hayek" (p. 198).

Desai's strategy suffers from a basic flaw. Suppose that he is right: at least for the indefinite future, Marx favored the full development of capitalism. All

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well and good; but why is Marx an important economist, worth studying today?

True enough, Marx's model of stable growth under capitalism ranks as an important contribution. (Desai might also have noted that, to an extent, it anticipates the Austrian view of the structure of production.) But not even Desai's earnest advocacy suffices to rescue the linchpin of Marx's economics, the labor theory of value. He is constrained to admit that Marx failed to establish the central claim of that theory. "One can accept that prices are proportional to [labor] values, but still refuse to say that all profits come from the exploitation of labour" (p. 65). Pierro Sraffa and his student Ian Steedman were "able to show up anomalies in Marx's argument. One could have negative surplus-value, yet positive profits" (p. 264). Paul Samuelson once famously dismissed Marx as a "minor post-Ricardian." Does Desai's tour de force, if successful, do anything but reinforce Samelson's verdict?

At the outset, I mentioned one exception to my plan of concentration on Desai's account of Marxism. Our author makes an important historical observation that cannot be ignored. He notes that much of "development economics" copies the ideas of Nazi Germany. "The subsequent history of the war and the Holocaust has so totally destroyed the National Socialists' reputation that few today would admit that much of the planning in developing countries after 1945—in India, for example—drew on ideas from this experiment. The Soviet Union was claimed as a model more often, but wherever capitalism and planning have coexisted, the original model has been the German one" (p. 165). Readers of Mises's *Omnipotent Government* will not be surprised. We will make an Austrian of Desai yet! On page 163, the name of the Nazi finance minister, Count Schwerin von Krosigk, is misspelled. ✦

Disarmed and Wholly Dependent

Guns and Violence: The English Experience

Joyce Lee Malcolm
Harvard University Press, 2002
viii + 340 pgs.

Professor Joyce Lee Malcolm's erudite study has changed my view of gun control. Before reading her book, I was inclined to see control in this way: Leaving aside questions about individual rights, there is an obvious argument that supports allowing people to own firearms. If criminals know that their victims may be armed, they are less likely to attack: guns deter violent crime. The modern state refuses to acknowledge this elementary truth. If people have guns, this allows them to resist the state, and under no circumstances can this be permitted. The need to secure the

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Malcolm's book has shown me that I radically underestimated the danger of gun control.

state outweighs the desire to halt crime.

Malcolm's book has shown me that I radically underestimated the danger of gun control. Her detailed study of British legislation on the topic shows the real aim of the disarmers. They wish to abolish the right to armed self-defense entirely. The point is not only to block armed resistance to the state, as I had previously thought; in addition, everyone is to be made totally dependent on the state for protection.

Some of Malcolm's examples are shocking. In England "[m]erely threatening to defend oneself can also prove illegal, as an elderly lady discovered. She succeeded in frightening off a gang of thugs by firing a blank from a toy gun, only to be arrested for the crime of putting someone in fear with an imitation firearm" (p. 184).

Not even if one's life is in danger can one legally use a weapon. In another case, two men assaulted Eric Butler in a subway, smashing his head and choking him. "In desperation he unsheathed a sword blade in his walking stick and slashed at one of them. . . . The assailants were charged with unlawful wounding but Butler was also tried, and convicted of carrying an offensive weapon" (p. 185).

You can imagine the legal position if someone goes so far as to use a real gun to defend himself. As British law now stands, you cannot even use a gun in your own home to defend yourself against burglars. In a 1999 incident, Tony Martin surprised a professional burglar and his accomplice while they robbed his home. He fired, killing one of them.

Did the government commend Martin for his bravery in confronting the burglars? Quite the contrary, they tried and convicted him for murder. "Thus an English farmer, living alone, has been sentenced to life in prison for killing one professional burglar and ten years for wounding another when the two broke into his home at night" (p. 216). Fortunately, our story has a "happy" ending: the court of appeals reduced his sentence to five years, on grounds of "diminished capacity."

Supporters of gun control, I suspect, will not be moved by these cases. "However unfair it seems to punish someone for defending himself," they will claim, "we have no choice. We must reduce violence in society. The state cannot protect everyone, and curtailment of the right to self-defense will cause innocent people to suffer." But so what? Does not a slogan from a once prominent regime tells us that the common good goes before individual good? If we insist on the outdated ideas of personal rights and responsibilities,

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we will end up as a Wild West society like the United States, where guns are plentiful and violent crime flourishes. The "horror stories" just recounted took place in England, where as everyone knows, the curbs on private ownership of weapons have caused violent crime to occur far less often than in America. Down with the right to self-defense!"

Malcolm's outstanding book thoroughly demolishes the case for gun control just sketched. She proceeds by a learned study of violent crime in England, from the Middle Ages to the present. In her survey, a constant theme emerges. As guns became more prevalent, violent crime decreased. This trend culminated in the nineteenth century, when death by murder was rare but guns were widespread. The seizure of guns during the twentieth century has been accompanied by a marked increase in violent crime. At present some types of violent crime are more common in England than in America. As usual, the statists have their facts exactly backward.

Often people think of English medieval life as relatively calm and peaceful, but in Malcolm's view this is a myth. "Medieval England was boisterous and violent, more so than court records reveal. . . . This high rate of homicide and violent crime existed when few firearms were in circulation" (p. 33).

Malcolm's interest in the Middle Ages is not confined to her primary theme of the relation between guns and violence. She introduces another theme that will concern her throughout the book: the status of the right to self-defense. During this period, custom and law established the right of individuals to resist violence directed against them. In some instances, a person who killed his assailant stood immune from criminal penalty. Our author here as always argues convincingly, but I am surprised that she does not cite St. Thomas Aquinas on killing in self-defense and its limits. Suffice it to say that his discussion does not altogether support her account of the medieval situation.

She introduces another theme that will concern her throughout the book: the status of the right to self-defense.

I have space only for a few highlights from Malcolm's detailed narrative. The Tudor and Stuart periods, "this era in which firearms first came into common use in everyday life as well as for the citizen militia . . . in which the Englishman's right to have 'arms for his defence' was proclaimed, also witnessed a sharp decline in violent homicide" (pp. 62–63).

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Developments in the eighteenth century should by now come as no surprise. "[A]t the very time that the individual right to be armed was becoming well established and guns were replacing earlier weapons, the homicide rate continued its precipitous decline" (pp. 88–89).

Readers will not earn a reward for correctly guessing Malcolm's conclusions about the nineteenth century. Once again, the number of guns increased while violent crime declined. "The nineteenth century ended with firearms plentifully available while rates of armed crime had been declining and were to reach a record low" (p. 130).

So far, we have a vast example of an inductive argument. Increases in the prevalence of guns have always accompanied decreases in violent crime. Does this not strongly suggest that guns in private hands deter crime? The twentieth century, especially its latter half, gives us a chance to test our induction, since ownership of guns during that period came under strict control. If it turns out that violent crime increased, then as Hume once remarked, "I need not complete the syllogism; you can draw the conclusion yourself."

And of course violent crime did increase. "Scholars of criminology have traced a long decline in interpersonal violence since the late Middle Ages until an abrupt and puzzling reversal occurred in the middle of the twentieth century . . . a statistical comparison of crime in England and Wales with crime in America, based on 1995 figures, discovered that for three categories of violent crimes—assaults, burglary, and robbery—the English are now at far greater risk than Americans" (pp. 164–65).

Gun control advocates, faced with these facts, will at once begin to yammer uncontrollably, "a correlation is not a cause." Indeed it is not; but in this instance, a strong correlation holds in two ways: when guns increase in number, violent crimes decrease, and when guns decrease, violent crimes increase. Further, a plausible causal story explains the correlation: the prospect of armed resistance deters criminals. This is about as good as an inductive argument gets. But I do not anticipate that those who wish to take away the right to self-defense will alter their position. They aim to make everyone totally dependent on the all-powerful state. ✦

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